

TENNESSEE HOUSING DEVELOPMENT AGENCY
BOARD OF DIRECTORS
September 22, 2005

Pursuant to the call of the Chairman, the Tennessee Housing Development Agency Board of Directors met on Thursday, September 22, 2005, at 1:00 P.M. in the 12th Floor Training Room, Parkway Towers, Nashville, Tennessee.

The following members were present: Tim Bolding, Bill Bruce, Peter Abernathy for Dave Goetz, Winston Henning, Loretta Jercinovich, Eddie Latimer, Gerald Konohia, Ann Butterworth for John Morgan, Ralph Perrey, Tim Pettus, Brad Rainey, Sharon Reynolds, Janice Cunningham for Dale Sims, Carl Tindell, and Jackie West.

The following members were absent: Robyn Askew, Bob Cooper, Riley Darnell, Tom Mottern and Alvin Nance.

Chairman Latimer called the meeting to order and opened the floor for public comment. There were no public comments.

The first item on the agenda was approval of the July 21, 2005, meeting minutes. Upon motion by Mr. Bruce, seconded by Mr. Konohia, the minutes were approved as distributed.

Chairman Latimer introduced Tim Pettus, Vice Chairman and Regional President of First Farmers & Merchants Bank in Lawrenceburg, Tennessee. The Governor appointed Mr. Pettus to serve as the Savings & Loan representative. Next Chairman Latimer asked Janice Myrick, Executive Director, to do the staff recognitions. Ms. Myrick presented certificates for service in Tennessee state government to Terri Jayne, Division of Research and Technical Services, for 5 years of service; Craig Stevens, Division of Community Programs, for 5 years; Lynn Walles, Division of Homeownership for 20 years; and Naomi Regensburg, Division of Mortgage Administration, for 30 years. Ms. Regensburg will be retiring on October 31, 2005, and will be the first employee to retire with 30 years of service all at THDA. Ms. Myrick also introduced Crystal Burroughs, with the Executive Division, who will be working with the Board meetings and the members.

Chairman Latimer read a Board resolution recognizing Ms. Myrick's service to the State of Tennessee and congratulating her on her retirement on October 31, 2005. He presented Ms. Myrick a gift from the Board of Directors. Chairman Latimer stated the Agency is very healthy and several of the actions the Committees have taken today is a good legacy for Ms. Myrick.

Chairman Latimer asked for the Other Matters portion of the agenda to be presented first. Ms. Myrick reported on the disaster relief efforts relating to Hurricane Katrina. The hurricane happened on August 29 and the Agency was asked to join the relief effort on September 8 once it became apparent that there would be a longer, interim housing need other than shelters. The Agency is working with TEMA and the Department of Finance & Administration to decide the best way to put displaced families into interim housing. She recognized Laura Swanson, Director of Section 8 Rental Assistance, Ted Fellman, Deputy Executive Director for Single Family Programs and Chief Financial Officer, and Patricia Chatman, Deputy Executive Director for Multifamily Programs, for their work with the disaster relief efforts.

Next was a report on the Agency's uninsured loans. Mr. Fellman said this report is made to the Board annually. Since the last report, no new loans have been added and two loans have been paid in full

and removed from the report. There is a loan loss reserve in place and based on the current balance of uninsured loans, he recommended that the current loss reserve of \$232,000 remain unchanged.

Chairman Latimer reminded the Board members that the Governor's Housing Summit was scheduled for October 11, 2005, and encouraged all members to attend. Governor Bredesen will be the luncheon speaker and Barbara Thompson, Executive Director of the National Council of State Housing Agencies in Washington, DC, will be the keynote speaker. He said the Governor will be asked to announce the new THDA Executive Director, the DMRS program, the BUILD program, and the community investment tax credit program.

Next was the report of the Bond Finance Committee. Chairman Latimer stated the Committee heard the presentation on the FY 2006-2007 budget and recommended approval by the Board. Upon motion by Mr. Bruce, seconded by Ms. Reynolds, the Board adopted the FY 2006-2007 budget. Mr. Abernathy abstained from the vote.

Chairman Latimer said the Bond Finance Committee also discussed Issue 2005-2. This bond issue would be in the maximum amount of \$100 million and the Committee recommends this transaction. By adopting the resolution in the Board packet, the Board will authorize Issue 2005-2 and the Bond Finance Committee will be authorized to carry out the bond issue in accordance with the plan of financing. Also included in the Board packet was a Reimbursement Resolution which authorizes use of up to \$25 million to make mortgage loans from available Agency funds prior to the closing of Issue 2005-2. Agency funds used to make mortgages will be reimbursed once funds from Issue 2005-2 become available. Upon motion by Mr. Bruce, seconded by Ms. Butterworth, the Board adopted the Board Resolution authorizing Issue 2005-2 and the Reimbursement Resolution.

The Bond Finance Committee also discussed funding for New Start 0% mortgages. In September 2004, the Board extended New Start through December 31, 2005. Chairman Latimer said the Committee recommended approval of an additional \$500,000 to continue funding through the end of December. He said the Board will have the opportunity at the November meeting to hear staff's recommendation for improving New Start for the long term. Upon motion by Mr. Konohia, seconded by Mr. Bruce, the Board approved an additional \$500,000 for the New Start 0% Program.

Chairman Latimer stated the Bond Finance Committee considered funding for the DMRS Program. The Board will hear more details about the DMRS Program during the Grants Committee report. He said the Bond Finance Committee recommended approval to use \$2 million of Agency revenues to fund housing for the mentally retarded. Ms. Cunningham recognized Mary Margaret Collier's work in coordinating the partnership effort of the different groups involved in making the DMRS Program happen. Upon motion by Ms. Cunningham, seconded by Ms. Butterworth, the Board approved the funding for the DMRS Program. Mr. Bolding abstained from the vote.

The Bond Finance Committee also considered funding for the BUILD Program. Chairman Latimer said the Committee recommended approval of \$5 million over the next 2 years for the BUILD Program for short term loans to eligible non-profits. Upon motion by Mr. Rainey, seconded by Mr. Perrey, the Board approved the funding for the BUILD Program. Mr. Konohia, Mr. Henning and Mr. Bolding recused themselves from the discussion and vote.

The Audit & Budget Committee report was next. The Committee considered the Board and staff conflict of interest disclosures. Lynn Miller, Deputy Executive Director for Policy Development and General Counsel, stated there were two memos in the Board packet. One is an analysis of Board member disclosures and the second is the analysis of disclosures made by Agency staff. She said there were no disclosures that indicated prohibited conflicts. There were some disclosures for which the Agency will

need to obtain waivers from HUD either for the Section 8 or HOME programs. The Agency's statute requires that the Board and staff disclosures become part of the public record and that is accomplished by the Board accepting the two memos for inclusion in the minutes of the Board. Upon motion by Mr. Bruce, seconded by Mr. Henning, the Board accepted the September 9, 2005, memorandum and the September 12, 2005 memorandum for inclusion in the minutes of the Board.

Chairman Latimer asked Ron Erickson, Director of Internal Audit, to briefly describe the Internal Audit Plan for Fiscal Year 2006. Mr. Erickson said State Audit is in the process of performing the annual compliance audit of the Agency and he anticipates an unqualified audit opinion by September 30. The State audit exit meeting will take place once the field work is completed.

Mr. Tindell gave the report of the Grants Committee. The first item considered was the matrix results for the second round of 2005 HOME CHDO applications. He said the Grants Committee approved staff recommendations and the matrix for the second CHDO round. Upon motion by Mr. Tindell, seconded by Mr. Henning, the Board approved the Grants Committee recommendation for funding the second round of 2005 HOME CHDO applications.

The Grants Committee considered the DMRS Program. The proposal is for the Agency to provide \$2 million in short term, low interest construction loans to qualified non-profit agencies for the construction of 12 houses within the next 12 months. THDA could also provide up to \$1 million of the \$2 million as grant funding. The expectation is that the loan and the grant would be repaid to THDA upon purchase of the home by DMRS. Upon completion of the first 12 homes, the funds would revolve to fund construction of additional houses throughout the state. Finance & Administration will oversee the construction process and will secure funding to purchase each house upon completion. Upon motion by Mr. Tindell, seconded by Ms. Jercinovich, the Board approved the DMRS Program. Mr. Bolding recused himself from the discussion and vote.

The BUILD Program was also considered by the Grants Committee. The proposal is for the Agency to fund low interest, short term loans for non-profits. Mr. Tindell said the Committee approved the program description in the Board packet with several changes including (1) changed "housing opportunities" to "housing developments" in the opening sentence; (2) the language listed under "Eligible Participants" was moved to be under "Qualification Process"; (3) added language under the "Disbarment" section to allow the Agency to consider a 30 day extension of loan repayment on a case-by-case basis. Upon motion by Mr. Tindell, seconded by Mr. Konohia, the Board adopted the BUILD Program as amended. Mr. Bolding and Mr. Henning recused themselves from the discussion and vote.

Mr. Tindell said the Grants Committee considered HOME contract extension requests. The five year contracts for the 2000 HOME program expired June 30, 2005. He said staff supports the requests for contract extensions received from Highland Rim Economic Development Corporation, Town of Eagleville and JONAH Affordable Housing Organization. Upon motion by Mr. Tindell, seconded by Mr. Rainey, the Board approved staff's recommendation for HOME contract extensions.

The Grants Committee reviewed staff's suggestions for changes in the 2006 HOME Program. Coralee Holloway, Acting Director of Community Programs, said changes discussed with the Grants Committee included increasing the percentage the Agency pays for soft costs for inspections and work write-ups, raising the county maximum to \$750,000 and setting a minimum HOME grant of \$250,000, and setting a minimum allocation of \$500,000 in the regional distribution. No action by the Board was required at this time.

The report of the Policy & Programs Committee was next. Mr. Rainey said the Committee recommended approval of an additional \$500,000 for the New Start 0% Mortgage program. This

program continues to serve lower income Tennesseans by providing funds for purchasing newly constructed homes. He said staff is working on a recommendation to be presented at the November meeting regarding the program for 2006. Upon motion by Mr. Perrey, seconded by Mr. Bruce, the Board approved the additional funding for New Start 0% Mortgage program.

Mr. Rainey said the Policy & Programs Committee considered the Low Income Housing Tax Credit 2006 Qualified Allocation Plan ("2006 QAP"). Included in the Board packet was a document titled "Revised Summary of Changes Incorporated into the August 23, 2005 Draft of 2006 LIHTC QAP" which listed 26 changes considered by the Committee (the "Changes"). Mr. Rainey stated the Committee's recommendation is for the Board to approve the 2006 QAP with the Changes, but incorporating the following amendments:

Change Item #1. The Committee added language to allow applications not successful in the QCT set-aside to continue to compete until a maximum of 80% of the total amount of tax credits available is allocated to developments located in QCTs.

Change Item #11. The Committee amended the language so that an applicant must be discharged from bankruptcy for a period of 4 years before they can participate in the program.

Change Item #18. Staff withdrew and the Committee deferred the scoring component which would have granted additional points to applications that were in areas not adjacent to areas that have previous LIHTC units with more than a 10% vacancy rate.

Change Item #21. The Committee did not approve awarding points to applicants who would provide internet access wired separately from cable TV or telephone.

Upon motion by Mr. Rainey, seconded by Mr. Perrey, the Board approved the Changes, as amended. Mr. Konohia and Mr. Henning recused themselves from the discussion and vote.

In addition to the amended Changes, Mr. Rainey said the Committee eliminated Part VII.B.2.a. which removed points for applicants who promise to maintain rents below the maximum allowable rents. Mr. Rainey moved that the Board approve the Committee's recommendation to eliminate Part VII.B.2.a. Ms. Jercinovich seconded. Following discussion, the motion passed with Mr. Bruce, Mr. Bolding, and Mr. Rainey voting no. Mr. Konohia and Mr. Henning abstained.

Mr. Rainey said the Policy & Programs Committee discussed the 2006 Program Description for the Multifamily Bond Program. He said the Committee heard staff's recommendations and provided comments and guidance. The 2006 Program Description will be presented for the Board's consideration at the November meeting.

Mr. Rainey said staff presented mortgage program suggestions to the Policy & Programs Committee. One program was for housing for disable veterans returning from Iraq and the other was to house families displaced by Hurricane Katrina. He said the Committee was interested in the programs and staff will develop proposals for further review. The Committee asked staff to make certain there would be no duplication of efforts by other groups.

The Policy & Programs Committee received the Mortgage Statistics report. Mr. Rainey said there were only 15 counties without THDA loans in Fiscal Year 2005. That is down from 28 counties two years ago and 21 counties last year. The average new home acquisition cost was \$98,241. The average income of purchasers was \$38,720. A total of 2,070 mortgage loans were made for a total of \$198,105,000.

The report of the Search Committee was next. Chairman Latimer thanked Mr. Rainey, Mr. Bruce, Mr. Bolding, Ms. Reynolds and Ms. Butterworth for their work. He said 126 applications were received and explained the process the Committee used to select four candidates for final interviews. Chairman Latimer said there was much discussion by the Committee during and after the interviews and the final selection was unanimous. Chairman Latimer moved that Ted Fellman be named Executive Director of the Agency and Mr. Bruce seconded.

Mr. Bruce stated it was a tribute to the Agency that there were so many well qualified applicants for the position. The feedback from applicants affiliated with housing groups outside of Tennessee was about the high respect the Agency receives from across the United States. He complimented Chairman Latimer on his organization of such a thorough, detailed process. Chairman Latimer addressed sentiment that the decision was made before the process began. He said that was a great disservice to the Search Committee and the Board. Chairman Latimer said it was a strong national search and Mr. Fellman earned the recommendation to be named Executive Director. Ms. Butterworth stated that the Search Committee was very careful to follow the process and knows that the Committee's actions will withstand any scrutiny.

There being no further discussion, the Board unanimously accepted the Search Committee's recommendation for Ted Fellman to be the next Executive Director. Mr. Fellman thanked the Board and expressed his appreciation to his co-workers who supported his candidacy. He thanked Ms. Myrick for always allowing him to have a very high level of participation in the management of the Agency. Chairman Latimer thanked Lou Reynolds, Human Resources Manager, who handled all of the logistics for the search process.

Ms. Myrick thanked the Board for the privilege of serving as Executive Director for 5½ years. She said she has enjoyed meeting each member personally and appreciates their dedication and commitment.

There was no further business to come before the Board and the meeting adjourned.

Respectfully submitted,

Janice L. Myrick
Executive Director

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